



DEPOSIT MOBILIZATION OF COMMERCIAL BANKS: A STUDY WITH SPECIAL REFERENCE TO WESTERN REGION IN INDIA

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Abstract: *The present study is deposit mobilization of commercial banks a study with special reference to the Western Region in India. In this paper an attempt is made to evaluate the growth rate and Compound Annual Growth Rate in deposit mobilization of scheduled commercial banks in the Western Region of India during the period from 2005-2006 to 2014-2015. The western region includes Goa, Gujarat, Maharashtra, Dadra & Nagar Haveli and Daman & Diu. The banks offer as various deposit schemes to the public which include Current Deposit, Saving Deposit and Term Deposit. The result found that the state of Maharashtra the term deposit increase at the same time saving deposit and current deposit decrease because the state of Maharashtra the population is more compare with other western region in India and the state of Maharashtra second-most populous state and third-largest state by area.*

Keywords: *Deposit Mobilization, Commercial Banks, Western Region.*

INTRODUCTION

Banking is an ancient business in India. The Indian banking system is unique due to its geographic, social and economic characteristics and perhaps has no parallels in the annals of banking in the world. The period of five decades witnessed many macro-economic developments, changes in monetary and banking policies and the external forces that influenced the evolution of the Indian banking system in different ways over a period of time. In this chapter, a sincere attempt has been made to highlight the banking sector reforms, conceptual framework of deposits and their mobilization by banks in India and the salient features of deposit mobilization by scheduled commercial banks (SCBs) in India. The strategies adopted by the Central Government and Reserve Bank of India (RBI) to increase the level of deposit mobilization by banks have also been evaluated.



BANKING SYSTEM IN INDIA

Scheduled Commercial Banks (SCBs) account for a major proportion of the total business, of the Scheduled Commercial Banks. As at end March, 2013, 89 Scheduled Commercial Banks were operational in India. Scheduled Commercial Banks are categorized into five groups based on their ownership and nature of operations. State Bank of India (SBI) and its six associates (excluding State Bank of Saurashtra, which has been merged with the SBI with effect from August 13, 2008) are recognized as a separate category of Scheduled Commercial Banks, because of the distinct status (State Bank of India Act, 1955 and State Bank of India Subsidiary Banks Act, 1959) that govern them. Nationalized banks (20) and State Bank of India and associates (6), together form the public sector banks group and control around 83 per cent of branches in India. Industrial Development Bank of India Ltd has been included among the nationalized banks in December 2004. Private Sector Banks include the Old Private Sector banks and the new generation private sector banks. Which were incorporated according to the revised guidelines issued by the RBI regarding the entry of private Sector banks in 1993. As of March 2013, there were 13 old and 7 new generation private sector banks operating in India.

DEPOSIT MOBILISATION

The saving and investment process in an economy is organized around a financial framework which facilitates economic growth. A well designed financial system promotes growth through effective mobilization of savings and their allocation to the most productive uses by either following a centralized approach or a decentralized approach or a combination of both. Typically, economies with underdeveloped capital markets adopt a centralized approach whereby financial intermediaries mobilize resources from savers and allocate them to borrowers. Traditionally, banks have played a curtail role in the financial intermediation process as they are able to deal more appropriately with transaction costs and information asymmetries in a financial system. As financial markets develop, transaction costs and information asymmetries reduce, the decentralized approach for guiding the saving-investment process also gains significance and household with surplus resources increasingly invest in capital market instruments. The empirical experience shows



that virtually all the economies, including the market intermediated ones, banks have played a key role in resource mobilization, supporting the growth process, and the development of bank and other intermediaries thereby facilitating the development of financial markets.

WESTERN INDIA

Western India consists of the states of Goa, Gujarat, and Maharashtra along with the Union territory of Daman and Diu and Dadra and Nagar Haveli of India. The region is highly industrialized, with a large urban population. Roughly, Western India is bounded by the Thar Desert in the northwest, the Vindhya Range in the north and the Arabian Sea in the west. A major portion of Western India shares the Deccan Plateau with South India. Before the partition of India, the now-Pakistani territories of Sindh and Balochistan were also included in this region.

REVIEW OF LITERATURE

Francis Appiah-Kubi Banson, Emmanuel Sey, Jonathan Sakoe (2010), in his analysis, **“The Role of Mobile Deposit in Deposit Mobilization in Ghana”**, as a result that mobile deposit is a 24 hours a day 7 days a week service which makes inconvenient for customers to deposit money any time, any where. It has reduced queuing at FCP’s banking hall, encouraged the culture of saving, especially among low income earners reduced the risk associated with carrying money to the bank to deposit and reduced the time and cost of travelling to the bank to deposit money. The mobile deposit solution through the use of speed Banking cards has proven to be a complementary deposit system¹.

S.Venkateshan (2012)³ In the study entitled **“ An Empirical Approach to Deposit Mobilization of Commercial Banks in Tamilnadu”**. The researcher made an attempt to study the trend and growth in deposit mobilization of Scheduled Commercial Banks in Tamil Nadu during the period from 1999-2000 to 2008-2009. The Compound Growth Rate (CGR) and Linear Growth Rate (LGR) were calculated from using simple regression analysis. The study found that, there has been a remarkable growth in mobilization of all kinds of deposits in Scheduled Commercial Banks in Tamil Nadu on the Whole.



METHODOLOGY

The present study was mainly based on secondary data. The secondary data have been used to analyze the deposit mobilization of commercial banks. The required secondary data were collected from RBI website.

PERIOD OF THE STUDY

This study covers a period of 10 years, from 2005-2006 to 2014 -2015.

SCOPE OF THE STUDY

The present study continued in the Western Region in India, which are included Goa, Gujarat, Maharashtra, Dadra & Nagar Haveli and Daman & Diu.

ANALYSIS

1. Growth rate
2. Compound Annual Growth Rate

TABLE 1. TRENDS IN GROWTH RATE OF GOA STATE

Years	Deposits Mobilization (Millions)			Rate of Growth (%)		
	Current deposit	Saving deposit	Term deposit	Growth of current deposit	Growth of saving deposit	Growth of term deposit
2005-2006	9768.0	30625.0	118524.1	--	--	--
2006-2007	12836.3	37164.4	125416.2	31.41	21.35	5.81
2007-2008	10909.9	44504.5	125985.3	-15.01	19.75	0.45
2008-2009	17746.6	52330.6	166644.3	62.67	17.58	32.27
2009-2010	22678.1	64549.0	204767.2	27.79	23.35	22.88
2010-2011	22032.9	74973.6	218776.7	-2.85	16.15	6.84
2011-2012	27594.7	80830.5	256332.6	25.24	7.81	17.17
2012-2013	21006.3	90531.3	286268.6	-23.88	12.00	11.68
2013-2014	21078.3	103217.9	326958.7	0.34	14.01	14.21
2014-2015	2648.4	115130.6	373831.3	-87.44	11.54	14.34
Mean	16829.95	69385.7	220351			
SD	7567.96	28520	89428.5			
CAGR	-13%	16%	14%			

Source: Secondary Data

Table 1 shows that the number of current deposit accounts in 2005-2006 was 9768 million it has a growth of 31.41% in 2006-2007 but has shown a fluctuation in growth in the following years and a Compound Annual Growth Rate of -13% at the same time "Saving Deposit" and



“Term Deposit” show a gradual decrease in growth rate but the CAGR of saving deposit is 16% Followed by term deposit 14%. One more thing can be noticed here that the growth a current deposit has Four negative figures that (-15.01),(-2.85),(-23.88),(-87.44) during the periods of 2007-2008,2010-2011,2012-2013 and 2014-2015. Saving deposit and term deposit has a no negative figure. Shows there the current deposit, saving deposits, term deposit in bank decreased drastically in that period of showing an unfavorable environment for the banks.

TABLE 2. TRENDS IN GROWTH RATE OF GUJARAT STATE

Years	Deposits Mobilization (Millions)			Rate of Growth (%)		
	Current deposit	Saving deposit	Term deposit	Growth of current deposit	Growth of saving deposit	Growth of term deposit
2005-2006	99418.8	318779.0	633004.3	--	--	--
2006-2007	128004.0	355723.9	716158.5	28.75	11.59	13.14
2007-2008	161196.3	432652.7	912078.6	25.93	21.63	27.36
2008-2009	187650.8	488124.4	1193044.2	16.41	12.82	30.80
2009-2010	225237.8	648107.2	1278826.2	20.03	32.78	7.19
2010-2011	270757.7	799747.2	1524711.8	20.21	23.40	19.23
2011-2012	282668.5	867805.5	1880435.6	4.40	8.51	23.33
2012-2013	323106.1	975775.9	2288833.8	14.31	12.44	21.72
2013-2014	346841.4	1134485.1	2666594.7	7.35	16.26	16.50
2014-2015	460357.8	1266524.8	3050699.3	32.73	11.64	14.40
Mean	248523.92	728773	1614439			
SD	110751.9	333087	833809			
CAGR	19%	17%	19%			

Source: Secondary Data

Table 2 shows that the number of current deposit accounts in 2005-2006 was 99418.8 million it has a growth of 28.75% in 2006-2007 but has shown a fluctuation in growth in the following years and a Compound Annual Growth Rate of 19% at the same time “Saving Deposit” and “Term Deposit” show a gradual decrease and increase in growth rate but the CAGR of saving deposit is 17% Followed by term deposit 19%. One more thing can be noticed here that the growth a Current Deposit, Saving Deposit and Term Deposit has no negative figures.



TABLE 3. TRENDS IN GROWTH RATE OF MAHARASHTRA STATE

Years	Deposits Mobilization (Millions)			Rate of Growth (%)		
	Current deposit	Saving deposit	Term deposit	Growth of current deposit	Growth of saving deposit	Growth of term deposit
2005-2006	750414.2	782566.7	3327239.9	--	--	--
2006-2007	927366.9	903535.7	4715466.0	23.58	15.46	41.72
2007-2008	1677087.9	1161685.5	5787913.7	80.84	28.57	22.74
2008-2009	1404081.0	1385806.4	7190402.8	-16.28	19.29	24.23
2009-2010	1840251.0	1631464.0	8548199.2	31.06	17.73	18.88
2010-2011	2124916.8	2121529.6	10286417.9	15.47	30.04	20.33
2011-2012	1757486.2	2056402.6	11484778.3	-17.29	-3.07	11.65
2012-2013	2057154.2	2331412.9	13400261.9	17.05	13.37	16.68
2013-2014	2180375.2	2630628.6	15477446.7	5.99	12.83	15.50
2014-2015	2544188.6	2927778.7	16028127.9	16.69	11.30	3.56
Mean	1726332.2	1793281.07	9624625.43			
SD	563159.4	734780.7	4459388.7			
CAGR	15%	16%	19%			

Source: Secondary Data

Table 3 shows that the number of current deposit accounts in 2005-2006 was 750414.2 million it has a growth of 23.58% in 2006-2007 but has shown a fluctuation in growth in the following years and a Compound Annual Growth Rate of 15% at the same time "Saving Deposit" and "Term Deposit" show a gradual decrease in growth rate but the CAGR of saving deposit is 16% Followed by term deposit 19%. One more thing can be noticed here that the growth a Current Deposit has Two negative figures that (-16.28),(-17.29) during the periods of 2008-2009 and 2011-2012. One negative figure is in the years of 2011-2012 (-3.07) Saving deposit and term deposit has a no negative figure. Shows there the current deposit, saving deposits, term deposit in bank decreased drastically in that period of showing an unfavorable environment for the banks.



TABLE 4. TRENDS IN GROWTH RATE OF DADRA AND NAGAR HAVELI STATE

Years	Deposits Mobilization (Millions)			Rate of Growth (%)		
	Current deposit	Saving deposit	Term deposit	Growth of current deposit	Growth of saving deposit	Growth of term deposit
2005-2006	1096.6	1538.3	1729.6	--	--	--
2006-2007	1187.0	2094.0	1758.2	8.24	36.12	1.65
2007-2008	1465.2	2772.3	2009.0	23.44	32.39	14.26
2008-2009	1837.6	3327.3	2599.0	25.42	20.02	29.37
2009-2010	2071.7	4478.2	3092.0	12.74	34.59	18.97
2010-2011	2017.8	6258.8	4099.7	-2.60	39.76	32.59
2011-2012	3030.5	7322.7	5526.8	50.19	17.00	34.81
2012-2013	2888.5	8912.1	7938.3	-4.69	21.71	43.63
2013-2014	2592.1	10077.3	9842.0	-10.26	13.07	23.98
2014-2015	2611.1	11059.0	13502.7	0.73	9.74	37.19
Mean	2079.81	5784	5209.73			
SD	691.74	3449.42	4008.03			
CAGR	10%	25%	26%			

Source: Secondary Data

Table 4 shows that the number of current deposit accounts in 2005-2006 was 1096.6 million it has a growth rate of 8.24% in 2006-2007 but has shown a fluctuation in growth in the following years and a Compound Annual Growth Rate of 10% at the same time “Saving Deposit” and “Term Deposit” show a gradual increase in growth rate but the CAGR of saving deposit is 25% Followed by term deposit 26%. One more thing can be noticed here that the growth a Current Deposit has Three negative figures that (-2.60), (-4.69) and (-10.26) during the periods of 2010-2011 and 2012-2013 and 2013-2014. No negative figure is Saving Deposit and Term deposit. Shows there the current deposit, saving deposits, term deposit in bank decreased drastically in that period of showing an unfavorable environment for the banks.



TABLE 5. TRENDS IN GROWTH RATE OF DAMAN AND DIU STATE

Years	Deposits Mobilization (Millions)			Rate of Growth (%)		
	Current deposit	Saving deposit	Term deposit	Growth of current deposit	Growth of saving deposit	Growth of term deposit
2005-2006	686.3	3436.8	3742.5	--	--	--
2006-2007	976.2	2917.1	5721.4	42.24	-15.12	52.88
2007-2008	1107.2	3311.5	6558.4	13.42	13.52	14.63
2008-2009	1326.8	3895.9	7333.2	19.83	17.65	11.81
2009-2010	1510.7	4879.7	8056.2	13.86	25.25	9.86
2010-2011	1674.3	5851.6	9013.5	10.83	19.92	11.88
2011-2012	1651.5	7231.2	11691.8	-1.36	23.58	29.71
2012-2013	1773.9	8876.5	14687.5	7.41	22.75	25.62
2013-2014	2470.7	11023.9	16201.0	39.28	24.19	10.30
2014-2015	2961.1	11918.5	18458.2	19.85	8.12	13.93
Mean	1613.87	6334.27	10146.37			
SD	682.85	3298.94	4896.53			
CAGR	18%	15%	19%			

Source: Secondary Data

Table 5 shows that the number of current deposit accounts in 2005-2006 was 686.3 million it has a growth rate of 42.24 % in 2006-2007 but has shown a fluctuation in growth in the following years and a Compound Annual Growth Rate of 18% at the same time “Saving Deposit” and “Term Deposit” show a gradual decrease in growth rate but the CAGR of saving deposit is 15% Followed by term deposit 19%. One more thing can be noticed here that the growth a Current Deposit has a negative figures that (-1.36) during the periods of 2011-2012. A negative figure is Saving Deposit (-15.12) in the year of 2006-2007. No negative figure is Term deposit. Shows there the current deposit, saving deposits, term deposit in bank decreased drastically in that period of showing an unfavorable environment for the banks.

FINDINGS OF THE STUDY

- Current deposit accounts in 2005-2006 was 9768 million it has a growth of 31.41% in 2006-2007 but has shown a fluctuation in growth in the following years and a Compound Annual Growth Rate of -13% at the same time “Saving Deposit” and “Term Deposit” show a gradual decrease in growth rate but the CAGR of saving deposit is 16% Followed by term deposit 14%.



- Current deposit accounts in 2005-2006 was 99418.8 million it has a growth of 28.75% in 2006-2007 but has shown a fluctuation in growth in the following years and a Compound Annual Growth Rate of 19% at the same time “Saving Deposit” and “Term Deposit” show a gradual decrease and increase in growth rate but the CAGR of saving deposit is 17% Followed by term deposit 19%.
- Current deposit accounts in 2005-2006 was 750414.2 million it has a growth of 23.58% in 2006-2007 but has shown a fluctuation in growth in the following years and a Compound Annual Growth Rate of 15% at the same time “Saving Deposit” and “Term Deposit” show a gradual decrease in growth rate but the CAGR of saving deposit is 16% Followed by term deposit 19%.
- Current deposit accounts in 2005-2006 was 1096.6 million it has a growth rate of 8.24% in 2006-2007 but has shown a fluctuation in growth in the following years and a Compound Annual Growth Rate of 10% at the same time “Saving Deposit” and “Term Deposit” show a gradual increase in growth rate but the CAGR of saving deposit is 25% Followed by term deposit 26%.
- Current deposit accounts in 2005-2006 was 686.3 million it has a growth rate of 42.24 % in 2006-2007 but has shown a fluctuation in growth in the following years and a Compound Annual Growth Rate of 18% at the same time “Saving Deposit” and “Term Deposit” show a gradual decrease in growth rate but the CAGR of saving deposit is 15% Followed by term deposit 19%.

CONCLUSION

The Term Deposit steady state growth rate is all western region of India, but in the state of Maharashtra 2004 to 2010 for the 10 years the Term deposit range is very high compare with other western region of Goa, Gujarat, Dadra & Nagar Haveli and Daman & Diu because is Maharashtra is India's second-most populous state and third-largest state by area. The same time the state of Maharashtra current deposit and saving deposit has not increase in the all the ten years. The State of Dadra and Nagar Haveli compare with all deposits the saving deposit with high. The state of Maharashtra the term deposit increase at the same time saving deposit and current deposit decrease because the state of Maharashtra the population is more compare with other western region in India.

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